

## 5. Real Time Information (RTI)



Low Incomes  
Tax Reform  
Group  
A voice for the unrepresented

**RTI sees employers having to report payroll data to HM Revenue & Customs (HMRC) throughout the tax year, which is more often than before. The data, including pay and tax details, National Insurance contributions (NIC) and student loans is sent to HMRC electronically via the Government Gateway, which means that you need to have a computer, access to the internet and some special payroll software (a computer program) to do this – one version of which, Basic Payroll Tools, you can obtain from HMRC for free.**

**Under RTI, Pay As You Earn (PAYE) itself is not changing – just the process of reporting PAYE information is changing.**

### Why have HMRC introduced RTI?

Before RTI was introduced, HMRC received payroll information from employers once a year – at the end of the tax year. This meant that if there was a mistake, for example, the wrong amount of tax had been deducted from the employee, they were often only able to do something about it a long time after it had happened. Therefore RTI, in theory, means that HMRC can deal with the under or over payments much more quickly.

Secondly, RTI is considered crucial for the introduction of the a new welfare benefit called Universal Credit. Most benefits to support people with low incomes are calculated depending on income levels and hours worked. At the moment these details are often estimated which can result in the wrong amount of benefit being paid. Using accurate employee information from the RTI submission, means that the Government will be able to ensure that workers receive the benefits they are entitled to.



### When do I have to operate RTI from?

RTI was introduced from April 2013.

2015/16 will therefore be the third tax year of working with RTI for the vast majority of employers.

However, for some employers who are not able to deal with RTI electronically, 2015/16 will be the second year of working with RTI. This is because the RTI paper process that runs alongside the RTI electronic process was only introduced from April 2014. If you were one of these employers, you may have been working with old style annual PAYE reporting up to 2013/14.

**See our factsheet 'Paper filer employers' for more details about paper RTI.**

### All or nothing

In some very limited circumstances (e.g. where you have only *one* employee who earns less than £112 per week with you and meets some other conditions) there is no need to register as an employer/set up a PAYE scheme. Here, it follows that there is nothing for you to do in relation to RTI.

**You can find out more about this total exemption from operating a payroll on our website:**

[www.disabilitytaxguide.org.uk/paying-wages/registering-as-an-employer/](http://www.disabilitytaxguide.org.uk/paying-wages/registering-as-an-employer/)

If you already have a PAYE scheme set up, for example to pay a previous PA and now take on a replacement PA who earns less than £112 per week and meets the other conditions, you could cancel your registration. If it remains open, then HMRC will expect you to send information in about them even if there is no tax or NIC due.

[www.disabilitytaxguide.org.uk](http://www.disabilitytaxguide.org.uk)



## RTI terminology

There are three main RTI acronyms to get accustomed to:

**FPS:** The Full Payment Submission includes information about pay and tax and personal circumstances of employees. It also reports changes in employment. Most employers have to submit an FPS on or before their employees are paid. This means that if you pay your employee weekly, you will have to send in an FPS weekly, pay them daily, send an FPS daily, and so on. For some small employers, there is a relaxation which says you can pay your employee daily or weekly and submit just one FPS summarising all those payments once a month.

**EPS:** The Employer Payment Summary is sent once a month to inform HMRC if there is a 'nil' return (i.e. no payments have been made to employees) or there are changes to the liabilities as calculated from the FPS – perhaps due to the recovery of statutory maternity pay for example.

**NVR:** A National Insurance number verification request.



## The main changes

As the employer provides information to HMRC in real time throughout the tax year, there will be no need for the payroll information to be sent in separately at the end of the year. The same goes for starter/leaver information which will be sent in by the employer at the time the relevant payroll is run. The employer needs to obtain standard data for every new employee, however it is now enshrined in law that minimum identity data is verified by the employer – against a passport for example. Information will also be needed about approximately how many hours your employees normally work in a week. There is no need to answer any year end questions, such as those that previously appeared on form P35 - Employer Annual Return.

For more information about RTI go to: [www.gov.uk/rti/index.htm](http://www.gov.uk/rti/index.htm)

## What has not changed

- An employee should still be given a End of Year certificate (P60) and/or a P45 Details of employee leaving work, for his or her own records.
- The benefits and expenses forms (P11D, P11D(b) and P9D) will continue as normal.
- Payment obligations (e.g. 19th or 22nd of July, October, January, April for quarterly payers).

For more information about the forms and deadlines mentioned here, go to our website.

## Basic PAYE Tools

HMRC's Basic PAYE Tools is free RTI software that you download onto your computer. It will help you run your payroll throughout the year. It is designed for employers who have nine or fewer employees. It has very limited functionality – for example it doesn't produce payslips. However, we have designed a payslip tool that works in conjunction with it and you can find it on our website.

You can find the tool at: [www.disabilitytaxguide.org.uk/](http://www.disabilitytaxguide.org.uk/)

## Other software options

There are many HMRC 'accredited' commercial providers of payroll software – costs vary depending on the sophistication of the product, however some do have their own free, 'starter' offering.

**We tell you where to find out more in the RTI section of our website.**

**This factsheet is intended to provide general information only and does not constitute advice.** Before taking any action, you should get appropriate immigration, benefit or tax advice from a professional adviser which is based on your particular circumstances. We have done our best to ensure that the information in this factsheet is up to date as of April 2015. You can read our full disclaimer on our website: [www.litr.org.uk/legal](http://www.litr.org.uk/legal).